

Fiscal Services Division
Legislative Services Agency
Fiscal Note

HF 708 - Rural Improvement Zones (LSB 2008 HV)

Analyst: Jeff Robinson (Phone: (515) 281-4614) (jeff.robinson@legis.state.ia.us)

Fiscal Note Version - New

Requested by Representative Paul Wilderdyke

Description

House File 708 increases the maximum size of a county able to utilize a special form of Tax Increment Financing (TIF) known as a Rural Improvement Zone. The designation of a Rural Improvement Zone is currently available for a private lake development in a county with a 1990 census population of 18,500 or less. House File 708 would raise the population cap to 20,000, based on the 2000 Census.

In determining the population of a county, the residents of State institutions are not to be counted. Under current law, institution residents are counted towards the population cap.

Background

Rural Improvement Zones and other TIF arrangements do not have a fiscal impact on the State or local governments unless and until the authority to create such an arrangement is utilized. If the authority is exercised, the TIF will impact schools and local governments by absorbing incremental increases in the tax base. In the case of a predominantly residential TIF, the taxable base value of the property (and therefore the revenue to schools and local governments) can erode due to the action of the residential rollback.

There are currently three Rural Improvement Zones in Iowa.

- Lake Panorama in Guthrie County (est. 1996)
- Diamondhead Lake in Guthrie County (est. 1997)
- Sun Valley in Ringgold County (est. 2001)

The incremental taxable value in the three current zones totals \$45.5 million and the total incremental tax devoted to the three zones is \$1,049,000 (FY 2005). In addition, exempting \$45.5 million from the school finance foundation formula increases annual State General Fund expenditures for schools by \$246,000.

Fiscal Impact

The expanded TIF authority in HF 708, if utilized by one or more counties, will divert property taxes from the general support of schools, counties, community colleges, and other local government entities. Diversion of taxable value from the school foundation formula will also increase State General Fund expenditures by \$5.40 per thousand of diverted taxable value.

Iowa's experience with three current Rural Improvement Zones diverts \$350,000 per Zone per year from support of general government and increases General Fund expenditures for schools by \$82,000 per year per zone. Each new TIF area created through the authority contained in HF 708 would likely have similar local government and State General Fund expenditure impacts. The size of the impact will depend on the amount of incremental taxable value ultimately absorbed by any new Rural Improvement Zones established under the expanded authority granted in HF 708. Assuming at least one new Rural Improvement Zone is created;

the fiscal impact of HF 708 is at least \$82,000 per year. The impact will be in the form of increased State School Aid, and the increase will not start until at least FY 2008.

Source

Legislative Services Agency

/s/ Holly M. Lyons

March 14, 2005

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.
